

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE - Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

In the matter of:) DOCKET NO. S-21067A-18-0416
Partisan Alliance Corporation, an Arizona corporation, and) NOTICE OF OPPORTUNITY FOR HEARING
Joseph J. Carrillo and Azucena Carrillo, husband and wife,) REGARDING PROPOSED ORDER TO CEASE
Respondents.) AND DESIST, ORDER FOR RESTITUTION,
) ORDER FOR ADMINISTRATIVE PENALTIES,
) AND ORDER FOR OTHER AFFIRMATIVE
) ACTION

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Partisan Alliance Corporation and Joseph J. Carrillo have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that Joseph J. Carrillo is a person controlling Partisan Alliance Corporation within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as Partisan Alliance Corporation for its violations of the antifraud provisions of the Securities Act.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.**RESPONDENTS**

2. Partisan Alliance Corporation ("Partisan") is a corporation organized under the laws of the state of Arizona on December 4, 2007. Joseph J. Carrillo has been the president of Partisan since its incorporation. Partisan has not been registered by the Commission as a securities salesman or dealer, and none of Partisan's securities have been registered by the Commission.

3. Joseph J. Carrillo ("Carrillo") has been a married man and an Arizona resident since at least January 1, 2015. Carrillo has not been registered by the Commission as a securities salesman or dealer.

4. Azucena Carrillo ("Respondent Spouse") was at all relevant times the spouse of Respondent Carrillo. Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

5. At all relevant times, Carrillo was acting for his own benefit and for the benefit or in furtherance of his and Respondent Spouse's marital community.

6. Partisan and Carrillo may be referred to collectively as "Respondents."

III.**FACTS**

7. Partisan is a company that provided educational services such as Spanish-language General Educational Development classes, English as a second language classes, and citizenship classes. It also provided immigration advocacy services. These services were oriented toward the Hispanic community in particular.

8. Between approximately 2007 and 2013, Partisan raised approximately \$470,000 from the sale of stock to approximately five investors. Partisan has never paid dividends to its stock investors. Approximately half of these funds were eventually paid to Carrillo in the form of loans from Partisan to Carrillo.

1 9. Partisan's educational and immigration advocacy services were a pivot from
2 Partisan's prior business plans. Partisan's original plan was to be a mortgage bank offering ITIN
3 (individual tax identification number) loans to immigrants without social security numbers. A
4 Partisan subsidiary previously had a mortgage banking license, but this licensed lapsed, and the
5 subsidiary never made any mortgage loans. The original purpose of Partisan's educational and
6 immigration advocacy services was to increase immigrant confidence in Partisan as a mortgage bank.
7 Partisan's plans expanded to the development of residential real estate, but those development plans
8 were later abandoned. Partisan struggled with very small earnings from 2007–2015.

9 10. Carrillo describes himself as someone trying to protect immigrants from exploitation
10 by banks and by others.

11 11. From approximately April 2016 to November 2016, Carrillo raised money from
12 investors ("Investors") to fund Partisan's general business expenses by offering promissory notes
13 issued by Partisan ("Notes"). Partisan raised at least \$83,000 from the sale of these Notes to at least
14 six Investors. All of these Investors were members of the local Hispanic community. These Investors
15 were not accredited investors. At least two of these Investors were students of Partisan's Spanish-
16 language General Educational Development classes or English as a second language classes. At least
17 six Investors had Notes that had terms of between approximately one to two years, promised a 10%
18 interest rate, and gave Investors the option to convert their Notes to Partisan stock at any time.

19 12. Carrillo solicited the sale of the Notes to at least two Investors by telling them that he
20 could grow their money if they invested it with him. These Investors intended to use their investment
21 proceeds to purchase homes for their families with guidance from Carrillo. Carrillo showed to at
22 least two Investors, who were primarily Spanish speakers with limited or no English-reading ability,
23 a document written in English that he claimed explained the terms of the investment. At least two of
24 these Investors asked Carrillo to give them a copy of that document translated into Spanish, but
25 Carrillo told them that it would take too long to translate and never provided a Spanish-language
26 copy of the document.

14. Carrillo omitted to tell at least two Investors before they invested that Partisan's financial condition cast significant doubt on its ability to timely pay the Notes. In 2015, Partisan had annual revenue of only \$1,540 and operated at a loss of over \$17,500. On December 31, 2015, Partisan's liabilities exceeded its assets by over \$87,000, and over \$352,000 of the assets Partisan claimed were debts owed to it by Carrillo and other entities either controlled by Carrillo or no longer operating. By the end of 2016, Partisan had an annual operating loss of over \$105,000 and its liabilities exceeded its assets by over \$152,000. Over \$364,000 of the assets Partisan claimed by the end of 2016 were debts owed to it by Carrillo and other entities either controlled by Carrillo or no longer operating.

16. None of Partisan's Investors have received any return.

VIOLATION OF A.R.S. § 44-1841

17. From on or about April 1, 2016, Respondents offered or sold securities in the form of notes and rights to purchase stock, within or from Arizona.

24 19. This conduct violates A.R.S. § 44-1841.

V.**VIOLATION OF A.R.S. § 44-1842****(Transactions by Unregistered Dealers or Salesmen)**

20. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

21. This conduct violates A.R.S. § 44-1842.

VI.**VIOLATION OF A.R.S. § 44-1991****(Fraud in Connection with the Offer or Sale of Securities)**

22. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) omitting to tell at least two Investors that Partisan's financial condition cast significant doubt on its ability to timely pay the Notes; and

b) misrepresenting investment returns on the Notes to at least two Investors.

23. This conduct violates A.R.S. § 44-1991.

VII.**CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

24. From December 4, 2007, to the present, Carrillo has been the President of Partisan.

25. From December 4, 2007, to the present, Carrillo directly or indirectly controlled Partisan within the meaning of A.R.S. § 44-1999. Therefore, Carrillo is jointly and severally liable to the same extent as Partisan for its violations of A.R.S. § 44-1991 from at least December 4, 2007.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order that the marital community of Carrillo and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and
5. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or

ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at:

<http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>.

X.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at: <http://www.azcc.gov/divisions/hearings/docket.asp>.

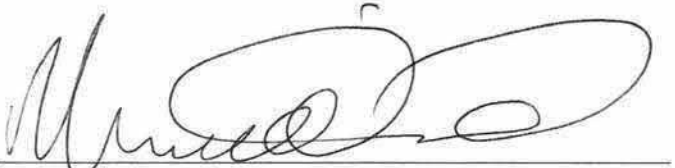
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Paul Kitchin.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

1 When the answering respondent intends in good faith to deny only a part or a qualification of
2 an allegation, the respondent shall specify that part or qualification of the allegation and shall admit
3 the remainder. Respondent waives any affirmative defense not raised in the Answer.

4 The officer presiding over the hearing may grant relief from the requirement to file an Answer
5 for good cause shown.

6 Dated this 31st day of December, 2018.

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9 Mark Dinell
10 Acting Director of Securities
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